

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
HANCOCK, MICHIGAN

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL FINANCIAL INFORMATION

June 30, 2005

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Copper Country Intermediate School District
Hancock, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Copper Country Intermediate School District as of and for the year then ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Copper Country Intermediate School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Michigan School Auditing Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Copper Country Intermediate School District as of June 30, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 17, 2005 on our consideration of Copper Country Intermediate School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The management's discussion and analysis and budgetary comparison information on pages 6 through 13 and 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Copper Country Intermediate School District's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplemental Financial Information listed in the table of contents and the accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for the purposes of additional analysis and are not a required part of the general purpose financial statements of the Copper Country Intermediate School District. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 17, 2005

Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2005

This section of Copper Country Intermediate School District annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2005. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Overview of the Financial Statements - Continued

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Special Education Fund, REMC, Debt Retirement Fund and School Food Service Fund.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Special Education Fund meet this requirement

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the general fund.
- Other supplementary information provides detailed information about the General, Special Education, and School Food Service Funds.

Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2005

Summary of Net Assets

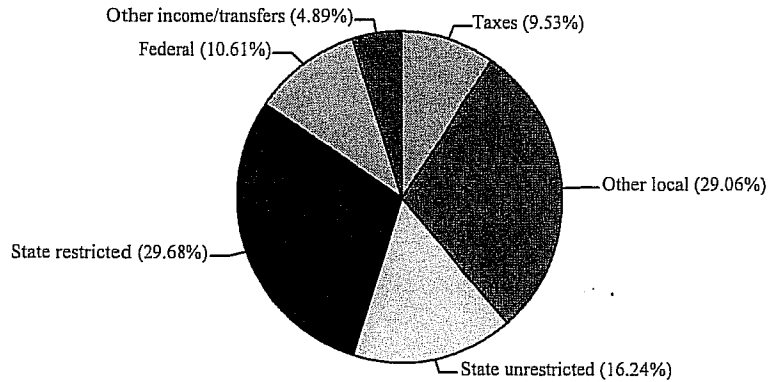
	2005	2004
Assets		
Current and other assets	\$ 2,829,984	\$ 2,817,712
Capital assets - Net of accumulated depreciation	1,811,163	1,843,839
Total Assets	\$ 4,641,147	\$ 4,661,551
Liabilities		
Current liabilities	\$ 1,090,694	\$ 1,168,661
Long-term liabilities	741,910	735,004
Total Liabilities	1,832,604	1,903,665
Net Assets		
Invested in property and equipment - net of related debt	1,395,710	1,395,013
Unrestricted	1,412,833	1,362,873
Total net assets	2,808,543	2,757,886
Total Liabilities and Net Assets	\$ 4,641,147	\$ 4,661,551

Results of Operations in Governmental Activities

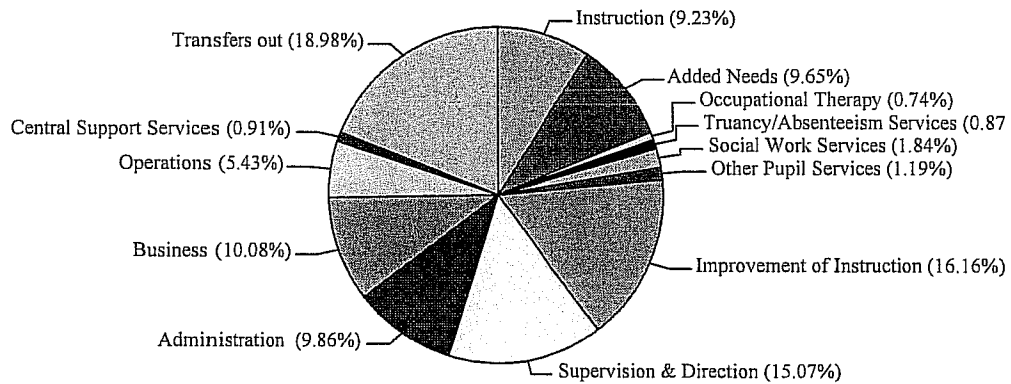
	2005	2004
Program Revenue:		
Charges for services	\$ 1,013,301	\$ 1,038,391
Grants and contributions	3,935,047	4,653,008
General Revenue:		
Property taxes	1,617,050	1,578,289
State foundation allowance	586,757	671,402
Other	(322,164)	(116,724)
Total Revenue	6,829,991	7,824,366
Functions/Program Expenses		
Instruction	1,852,029	2,012,703
Support services	4,426,166	4,800,304
Community services	0	627,456
School food services	18,684	15,113
Regional Educational Media Center	482,455	550,732
Interest on long-term debt	0	1,645
Total Expenses	6,779,334	8,007,953
Change in Net Assets	50,657	(183,587)
Net Assets - Beginning	2,757,886	2,941,473
Net Assets - Ending	\$ 2,808,543	\$ 2,757,886

The following charts highlight the District's General Fund activities:

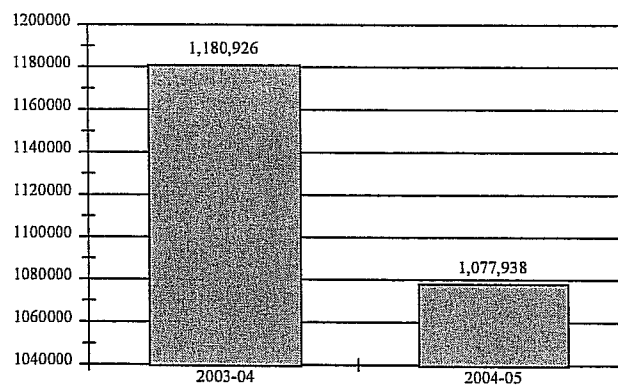
2004-05 Revenues



2004-05 Expenditures



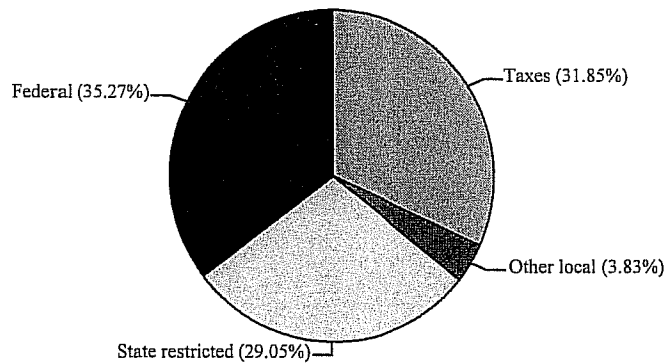
Fund Balance Comparison



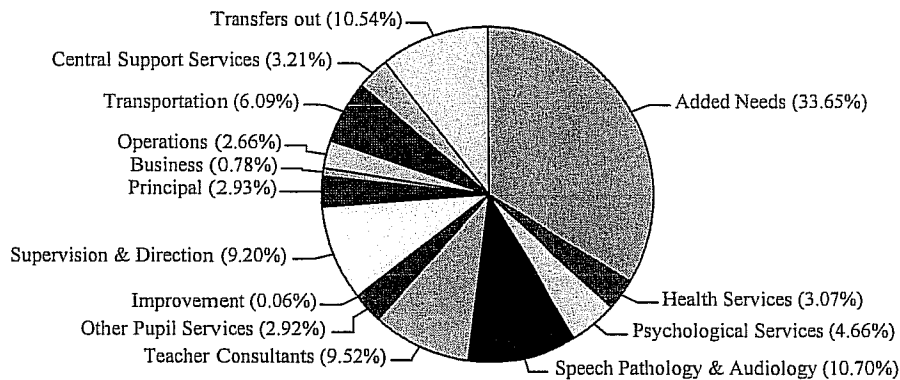
**Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2005**

The following charts highlight the District's Special Education Fund activities:

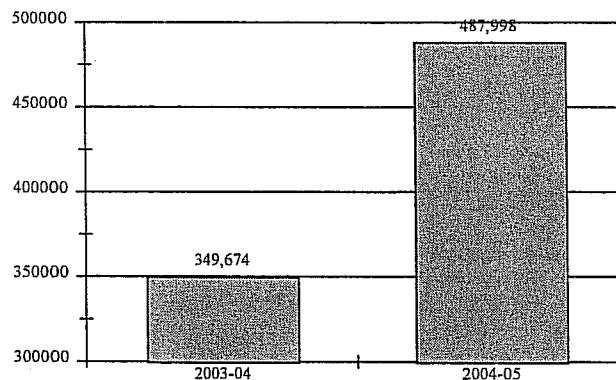
2004-05 Revenues



2004-05 Expenditures



Fund Balance Comparison



Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2005

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 3,088,621	\$ 4,028,321	\$ (939,700)
Expenditures/Transfers	\$ 3,191,609	\$ 4,051,645	\$ (860,036)
Fund Balance	\$ 1,077,938	\$ 1,180,926	\$ (102,988)
Special Education Fund:			
Revenues/Transfers	\$ 4,153,344	\$ 3,921,843	\$ 231,501
Expenditures/Transfers	\$ 4,015,020	\$ 4,099,125	\$ (84,105)
Fund Balance	\$ 487,998	\$ 349,674	\$ 138,324
REMC Fund:			
Revenues/Transfers	\$ 556,778	\$ 582,482	\$ (25,704)
Expenditures/Transfers	\$ 502,601	\$ 544,087	\$ (41,486)
Fund Balance	\$ 214,198	\$ 160,021	\$ 54,177
School Food Service Fund:			
Revenues/Transfers	\$ 13,034	\$ 13,717	\$ (683)
Expenditures/Transfers	\$ 23,684	\$ 22,200	\$ 1,484
Fund Balance	\$ 326	\$ 976	\$ (650)

General Fund - Revenue decreased in state and federal revenue in connection with the ending of P.I.E, Even Start and Michigan School Readiness grants. The District did receive some new small federal grants. Local revenue increased in the areas of property taxes, earnings on investments, tuition and rentals. Expenditures did increase in the areas of health benefits, electricity and new grants (Learn and Serve and Great Starts). The decrease would be in relationship to the above mentioned grants ending.

Special Education Fund - Special revenue received increases in Flow-thru grant revenue and with this increase the District increased staff in that area.

REMC - The procedures of purchasing supplies and equipment through REMC in connection with other school districts has changed to having the shipping and payment requirements directly handled by school districts. In prior years this revenue would have been reported as merchandise sales and expenditure off-set.

School Food Service Fund - The Food Service program for the District has required a small operating transfers from the General Fund in recent years.

Changes to Budget and Comparison to Actual Results

The original budget is required to be adopted before the beginning of the fiscal year by State law. For the fiscal year ended June 30, 2005, the original budget was adopted on June 22, 2004. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances, therefore the District amended it's budget twice during the fiscal year.

Changes between original and final budget: Major changes in revenues and expenditures were caused by the reduction in state aid, state grants (PIE, Michigan School Readiness and Headstart) and federal grants (Truant Officer and Even Start).

Variances between final budget and actual: The variance in state sources for revenues represent Section 81 Intermediate District funding that was below the expected amount. Federal sources were budgeted for full grant revenue and the expenditures were less than expected. Expenditures affected by the revenue previously mentioned, are less than the budgeted amount. Operation and maintenance expenditures were reduced in the salary/benefit and repair/maintenance areas. Expenses in transportation had a decreases due to retirement of employees and reductions in routes.

Capital Assets and Debt Administration

Capital Assets: The District's net investment in capital assets decreased by \$32,677 during the fiscal year. The decrease was mainly due to accumulated depreciation. The additions included computers, lockers, furniture, carpeting and windows. No debt was issued for these additions.

Additional information on the District's capital assets can be found on page 23 of this report.

Long-term Debt: At the end of the current fiscal year, the Districts total debt was \$411,879. This total amount is backed by the full faith and credit of the District. The District's total debt was decreased by \$35,302 during the fiscal year.

Additional information on the District's long-term debt can be found on page 24 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

Durant Bond Payments

As part of the Durant settlement, non plaintiff school districts entitled to receive amounts greater than \$75,000 were offered a bonding option. The School District participated in the bonding option and on November 24, 1998 issued \$437,233 in school improvement bonds for the purpose of technology expenses and construction/renovation for the Career Center building. The State of Michigan refunded the bonds and activity will resume in the fiscal year 2005-06. The balance of the bond issue is \$279,334.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Copper Country Intermediate School District.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 730,299
Investments	1,194,075
Taxes receivable	47,253
Accounts receivable	314,898
Prepaid expense	6,222
Other assets	7,800
Due from other governmental units	<u>529,437</u>
TOTAL CURRENT ASSETS	<u>2,829,984</u>
NON-CURRENT ASSETS:	
Capital assets	4,459,701
Less: Accumulated depreciation	<u>(2,648,538)</u>
TOTAL NON-CURRENT ASSETS	<u>1,811,163</u>
TOTAL ASSETS	<u>\$ 4,641,147</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 403,613
Accrued expenses	38,948
Accrued interest	3,574
Deferred revenue	478,108
Due to other government units	9,657
Other liabilities	119,198
Notes payable within one year	<u>37,596</u>
TOTAL CURRENT LIABILITIES	<u>1,090,694</u>
NON-CURRENT LIABILITIES:	
Bonds payable, due in more than one year	279,334
Installment loans payable, due in more than one year	94,949
Compensated absences	<u>367,627</u>
TOTAL NON-CURRENT LIABILITIES	<u>741,910</u>
TOTAL LIABILITIES	<u>1,832,604</u>
NET ASSETS:	
Invested in capital assets, net of related debt	1,395,710
Unreserved	<u>1,412,833</u>
TOTAL NET ASSETS	<u>2,808,543</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,641,147</u>

The accompanying notes to the financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

	<u>Program Revenues</u>			<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>FUNCTIONS/PROGRAMS</u>				
Government Activities:				
Instruction and instructional support	\$ 1,852,029	\$ 861,496	\$ 2,700,911	\$ 1,710,378
Support services	4,426,166	-	1,211,754	(3,214,412)
Community services	-	17,495	-	17,495
Food service	18,684	2,282	10,751	(5,651)
Regional Media Educational Center	482,455	132,028	11,631	(338,796)
Total Governmental Activities	<u>\$ 6,779,334</u>	<u>\$ 1,013,301</u>	<u>\$ 3,935,047</u>	<u>(1,830,986)</u>
General Revenues:				
Taxes				
Property taxes, levied for general operations				1,582,887
Other taxes				34,163
State school aid - unrestricted				586,757
Interest and investment earnings				33,103
Other				389,312
Transfers				<u>(744,579)</u>
Total general revenues and transfers				<u>1,881,643</u>
Change in Net Assets				50,657
Net Assets - Beginning				<u>2,757,886</u>
Net Assets - Ending				<u>\$ 2,808,543</u>

The accompanying notes to the financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2005

	General	Special Education	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 318,907	\$ 410,916	\$ 476	\$ 730,299
Investments	764,725	429,350	-	1,194,075
Taxes receivable	3,665	43,588	-	47,253
Accounts receivable	86,063	200	228,635	314,898
Prepaid expense	5,322	900	-	6,222
Other assets	7,800	-	-	7,800
Due from other governmental units	297,393	217,524	14,520	529,437
Due from other funds	67,900	47,184	-	115,084
TOTAL ASSETS	\$ 1,551,775	\$ 1,149,662	\$ 243,631	\$ 2,945,068
LIABILITIES:				
Accounts payable	\$ 182,329	\$ 208,733	\$ 12,551	\$ 403,613
Accrued expenses	16,057	20,785	2,106	38,948
Due to other funds	47,184	53,450	14,450	115,084
Due to other government units	1,748	7,909	-	9,657
Deferred revenue	208,175	269,933	-	478,108
Other liabilities	18,344	100,854	-	119,198
TOTAL LIABILITIES	473,837	661,664	29,107	1,164,608
FUND BALANCES:				
Unreserved	1,077,938	487,998	214,524	1,780,460
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,551,775	\$ 1,149,662	\$ 243,631	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,811,163
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(779,506)
Accrued interest is not included as a liability in governmental funds	(3,574)
Net assets of governmental activities	<u>\$ 2,808,543</u>

The accompanying notes to the financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2005

	General Fund	Special Education Fund	Other Non-major Governmental Funds	Totals
REVENUES:				
Local sources	\$ 1,191,640	\$ 1,481,947	\$ 383,338	\$ 3,056,925
State sources	1,418,205	1,206,543	79,890	2,704,638
Federal sources	327,730	1,464,854	22,352	1,814,936
Total revenues	2,937,575	4,153,344	485,580	7,576,499
EXPENDITURES:				
Instruction	626,341	1,206,682	-	1,833,023
Supporting services	1,959,550	2,362,135	-	4,321,685
Food Service	-	-	18,684	18,684
REMC	-	-	502,601	502,601
Total expenditures	2,585,891	3,568,817	521,285	6,675,993
Excess (deficiency) of revenue over expenditures	351,684	584,527	(35,705)	900,506
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(33,132)	(5,000)	38,132	-
Incoming transfers - other schools	151,046	-	51,100	202,146
Outgoing transfers - other schools	(505,522)	(441,203)	-	(946,725)
Facilities acquisition	(31,965)	-	-	(31,965)
Loan payments	(35,099)	-	-	(35,099)
Total other financing sources (uses)	(454,672)	(446,203)	(89,232)	(811,643)
NET CHANGE IN FUND BALANCE	(102,988)	138,324	53,527	88,863
FUND BALANCES - BEGINNING OF YEAR	1,180,926	349,674	160,997	
FUND BALANCES - END OF YEAR	\$ 1,077,938	\$ 487,998	\$ 214,524	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(32,677)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(40,831)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	35,302
Changes in net assets of governmental activities	\$ 50,657

The accompanying notes to the financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Copper Country Intermediate School District conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the more significant policies:

REPORTING ENTITY

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility includes, but is not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria there are no potential component units for the district.

DISTRICT WIDE AND FUND FINANCIAL STATEMENTS

The district wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's government-wide activities are considered governmental units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, & FINANCIAL STATEMENT PRESENTATION

District Wide Statements - The district wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule, the effect of inter-fund activity has been eliminated from the district wide financial statements.

Amounts reported as program revenue are (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the Special Education, Food Service, and Regional Educational Media Center (REMC).

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds."

Property tax revenue is recognized in the year for which taxes have been levied, provided they are available to finance expenditures of the current period in accordance with the National Council on Governmental Accounting Interpretation No. 3, Revenue Recognition - Property Taxes.

The 2004 taxable value for the District amounted to \$750,610,133. Ad valorem taxes of \$286,283 were levied for operating purposes (.3814 mills) based on taxable valuation and \$1,296,604 for special education (1.7274 mills) based on taxable valuation. These amounts are recorded as revenue on the District's records in and for the fiscal year ending June 30, 2005.

Inventory

The School District utilizes the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Fixed Assets

Fixed assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the district wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits

The liabilities for accrued benefits reported in the district wide statements in the amount of \$367,627, consisted of vacation and sick leave balances. The District, as part of the various employment contracts with its personnel, allows annual sick and vacation days. Each employment contract specifies an accumulation policy for unused sick and vacation days, as follows:

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick Leave - All professional employees are allowed to accumulate sick days to a maximum of 160 days and non-professional 170 days. Sick days vest to the employee and are payable upon retirement at the lesser of 50% or \$6,500 (professional)/ \$5,000 (nonprofessional). Certain school employees (administrative staff, secretaries, and other) are allowed to accumulate vacation days to a maximum of 30 days. Liability of the District for the employees' unused sick leave days at June 30, 2005 is \$316,749.

Vacation Days - Various employees of the District are allowed to accumulate vacation days in the year when they are earned. Liability of the District for the employees' unused vacation days at June 30, 2005 is \$50,878.

Long-term Obligations

In the district wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

BUDGETARY DATA

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to July 1, the District Superintendent submits to the Board of Education a proposed budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.
4. Any revisions to the budgeted amounts must be approved by the Board of Education.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP.
6. Budgeted amounts presented in the financial statements are as originally adopted, or as amended by the Board of Education.
7. Budget appropriations lapse at the end of the fiscal year.

ENCUMBRANCES

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The District does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

NOTE B - BUDGETING AND ACCOUNTING

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School for these budgetary funds were adopted to the activity level.

During the year ended June 30, 2005, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Description	Total Appropriations	Amount of Expenditures	Budget Variances
General Fund-Occupational Therapy	\$22,750	\$23,744	(\$994)
Special Education-Central Support	\$129,721	\$135,999	(\$6,278)

NOTE C - CASH AND INVESTMENTS

CASH DEPOSITS

At year-end, the District's deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the District is as follows:

	Activities
Unrestricted cash	\$ 730,299
Investments	1,194,075
Total	<u>\$ 1,924,374</u>

At June 30, 2005, the book value of the District's demand deposits, consisting primarily of checking and savings accounts, certificates of deposit and other cash equivalents, was \$717,748 with a corresponding bank balance of \$1,116,360. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$1,112,920, representing approximately 99% of the District's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$1,112,920 was insured and \$3,440 was neither insured or collateralized.

INVESTMENTS

The investment of the District's funds is governed by state statutes. In general, state statutes provide that the District is authorized to invest its funds in certificates of deposit, savings accounts and deposit accounts in a bank which is a member of the Federal Deposit Insurance Corporation. In addition, it may also invest in bonds, securities and other obligations of the United States in which the principal and interest are fully guaranteed by the United States, and investments in commercial paper rated at prime at the time of purchase and which mature not more than 270 days after the date of purchase.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

NOTE C - CASH AND INVESTMENTS (Continued)

At June 30, 2005, the District's investments consisted of mutual funds which are not categorized because they are not evidenced by securities that exist in physical or book entry form. The District had \$1,194,075 in mutual funds with Michigan School District Liquid Asset Fund Plus.

NOTE D - FIXED ASSETS

Fixed Asset activity of the District's governmental activities was as follows:

	Balance 06/30/04	Additions	Deletions	Balance 06/30/05
Land	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Building and additions	1,999,796	0	0	1,999,796
Building improvements	667,750	10,066	0	677,816
Improvements other than building	115,660	0	0	115,660
Equipment, furniture and fixtures	1,147,721	116,780	0	1,264,501
Vehicles	90,377	0	22,974	67,403
School buses	284,525	0	0	284,525
Subtotal	<u>4,355,829</u>	<u>126,846</u>	<u>22,974</u>	<u>4,459,701</u>
Accumulated depreciation:				
Building and additions	1,087,411	54,250	0	1,141,661
Building improvements	191,244	28,012	0	219,256
Improvements other than building	32,635	5,783	0	38,418
Equipment, furniture and fixtures	925,153	38,583	0	963,736
Vehicles	66,878	8,425	22,974	52,329
School buses	208,668	24,470	0	233,138
	<u>2,511,989</u>	<u>159,523</u>	<u>22,974</u>	<u>2,648,538</u>
Net capital assets	<u>\$ 1,843,840</u>	<u>\$ (32,677)</u>	<u>\$ 0</u>	<u>\$ 1,811,163</u>

Depreciation expense was charged to activities of the District as follows:

Governmental activities	
Instructional	\$ 102,155
Supporting Services	49,548
REMC	7,820
Total governmental activities	<u>\$ 159,523</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

NOTE E - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2005 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General	\$ 67,900	General	\$ 47,184
Special Education	47,184	Special Education	53,450
REMC	0	REMC	14,450
TOTAL	\$ 115,084	TOTAL	\$ 115,084
Fund	Transfer In	Fund	Transfer Out
Food Service	\$ 5,000	General	\$ 33,132
REMC	33,132	Special Education	5,000
TOTAL	\$ 38,132	TOTAL	\$ 38,132

NOTE F - LONG TERM DEBT

INSTALLMENT LOANS

The School District has an unsecured installment note payable with Superior National Bank. Original issue date was July 16, 1999 for \$375,000 with an 4.84% interest rate. The note matures on December 1, 2008.

Fiscal Year	Principal	Interest	Total
2005-2006	\$ 37,596	\$ 6,127	\$ 43,723
2006-2007	39,411	4,312	43,723
2007-2008	41,313	2,410	43,723
2008-2009	14,225	417	14,642
	\$ 132,545	\$ 13,266	\$ 145,811

DURANT BOND

As part of the Durant settlement, non plaintiff school districts entitled to receive amounts greater than \$75,000 were offered a bonding option. The School District participated in the bonding option and on November 24, 1998 issued \$437,233.50 in school improvement bonds for the purpose of technology expenses and construction/renovation for the Career Center building.

The bond issue matures as indicated below with interest not to exceed 8% per annum. Interest payments began on May 15, 2000 and are payable annually thereafter on May 15 as indicated. The annual payments will be appropriated by the State of Michigan and will be the only revenue source for making the annual debt service payment on the bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

The bond is not subject to redemption prior to maturity and the School District will not issue any other bonds or obligations for the purpose of refunding this bond. Even though the State of Michigan will be appropriating funds to pay the principal and interest, the bond is the obligation of the School District, not the State.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

NOTE F - LONG TERM DEBT (Continued)

DURANT BOND

<u>Payable School Year</u>	<u>May 15 Interest</u>	<u>May 15 Principal</u>	<u>Total</u>
2005-2006	\$ 9,540	\$ 21,164	\$ 30,704
2006-2007	8,533	22,166	30,699
2007-2008	42,700	102,192	144,892
2008-2009	6,371	24,334	30,705
2009-2010	5,213	25,491	30,704
2010-2011	3,999	26,705	30,704
2011-2012	2,727	27,975	30,702
2012-2013	1,395	29,307	30,702
	<u>\$ 80,478</u>	<u>\$ 279,334</u>	<u>\$ 359,812</u>

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2005:

	<u>Balance June 30, 2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2005</u>	<u>Current Portion</u>
Durant Bond	\$ 279,334	\$ 0	\$ 0	\$ 279,334	\$ 0
Installment Loan	167,847	0	35,302	132,545	37,596
	<u>447,181</u>	<u>0</u>	<u>35,302</u>	<u>411,879</u>	<u>\$ 37,596</u>
Accrued Interest	1,645	1,929	0	3,574	
Accrued Benefits	328,725	38,902	0	367,627	
TOTAL	<u>\$ 777,551</u>	<u>\$ 40,831</u>	<u>\$ 35,302</u>	<u>\$ 783,080</u>	

As of June 30, 2005, the aggregate maturities of long-term debt are as follows:

<u>Payable School Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005-2006	\$ 15,667	\$ 58,760	\$ 74,427
2006-2007	12,845	61,577	74,422
2007-2008	45,110	143,505	188,615
2008-2009	6,788	38,559	45,347
2009-2010	3,999	25,491	29,490
2010-2011	2,727	26,705	29,432
2011-2012	1,395	27,975	29,370
2012-2013	80,478	29,307	109,785
TOTAL	<u>\$ 169,009</u>	<u>\$ 411,879</u>	<u>\$ 580,888</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

NOTE G - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service; or at age sixty with at least 10 years of credited service; or at age 60 with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

The District was required by the state statute to contribute 12.99% of covered compensation through September 30, 2004 and 14.87% of covered compensation to the Plan for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2005 was \$539,644, which consisted of \$457,321 from the District and \$82,323 from employees electing the MIP option. These represent approximately 14.53% and 2.62% of covered payroll, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2005 was approximately \$3,147,150. The District's total payroll was approximately \$3,248,231.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among MPERS and employers. The MPERS does not make separate measurements of assets and pension benefit obligations for individual districts.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

NOTE G - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

As of September 30, 2004 for the MPSERS as a whole, the actuarial accrued liability was \$44.8 billion. The pension plan net assets were \$38.7 billion, resulting in a ratio of assets at market value to the actuarial accrued liability of 80.36%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time. The District's 2005 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS' September 30, 2004 annual report.

The State of Michigan is responsible for the payment of retirement benefits.

NOTE H - SELF-FUNDED EMPLOYEE DENTAL PLAN

Beginning December 1, 1994 the Copper Country Intermediate School District decided to stop carrying commercial dental insurance for its employees because of its prohibitive cost and began covering all claim settlements out of its general fund resources. Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses included an estimate of claims incurred but not reported. At June 30, 2005, the amount of these liabilities was \$33,942. This liability is the District's best estimate based on information available.

Changes in the reported liability since June 30, 2004, resulted from the following:

Liability at June 30, 2004	\$ 26,143
Current year claims and changes in estimates	55,730
Claim payments	(47,931)
Liability at June 30, 2005	<u>\$ 33,942</u>

NOTE I - FOUNDATION REVENUE

The State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. The Intermediate School District's foundation allowance is based on the average of the schools in its district.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2005

NOTE J - CONTINGENT LIABILITIES (RISK POOL)

Copper Country Intermediate School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Copper Country Intermediate School District joined together with other school districts currently operating a common risk management and insurance program. Copper Country Intermediate School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Copper Country Intermediate School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2005, which can be obtained through the District.

NOTE K - RECLASSIFICATION

Certain items in the June 2004 financial statements have been reclassified to conform with the current year presentation.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Local sources	\$ 1,160,673	\$ 1,180,165	\$ 1,191,640	\$ 11,475
State sources	2,351,947	1,645,611	1,418,205	(227,406)
Federal sources	594,394	409,687	327,730	(81,957)
TOTAL REVENUE	4,107,014	3,235,463	2,937,575	(297,888)
EXPENDITURES:				
Instruction	668,295	731,157	626,341	104,816
Supporting services	2,840,291	2,300,618	1,959,550	341,068
TOTAL EXPENDITURES	3,508,586	3,031,775	2,585,891	445,884
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	598,428	203,688	351,684	147,996
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(32,550)	(33,132)	(33,132)	-
Transfers from other districts	196,740	224,766	151,046	(73,720)
Transfers to other districts	(256,345)	(135,312)	(505,522)	(370,210)
Facilities acquisition	(65,400)	(44,000)	(31,965)	12,035
Loan payments	(33,595)	(35,100)	(35,099)	1
Total other financing sources (uses)	(191,150)	(22,778)	(454,672)	(431,894)
NET CHANGE IN FUND BALANCE	407,278	180,910	(102,988)	283,898
FUND BALANCE - BEGINNING OF YEAR	1,180,926	1,180,926	1,180,926	-
FUND BALANCE - END OF YEAR	\$ 1,588,204	\$ 1,361,836	\$ 1,077,938	\$ 283,898

SUPPLEMENTAL FINANCIAL INFORMATION

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Prior</u>
REVENUES:				
Local sources:				
Property tax	\$ 286,283	\$ 286,283	\$ -	\$ 280,095
Other Taxes	10,000	7,912	2,088	10,023
Interest on delinquent taxes	1,300	1,397	(97)	1,151
Earnings from investments and deposits	15,000	18,276	(3,276)	8,774
Tuition	612,453	623,540	(11,087)	586,259
Rentals	99,077	96,778	2,299	84,889
Indirect cost reimbursement	152,400	154,173	(1,773)	161,465
Miscellaneous	3,652	3,281	371	1,022
Total local sources	<u>1,180,165</u>	<u>1,191,640</u>	<u>(11,475)</u>	<u>1,133,678</u>
State sources:				
State Aid - Unrestricted	501,716	501,504	212	572,884
Restricted grants	<u>1,143,895</u>	<u>916,701</u>	<u>227,194</u>	<u>1,642,116</u>
Total state sources	<u>1,645,611</u>	<u>1,418,205</u>	<u>227,406</u>	<u>2,215,000</u>
Federal sources:				
Title I	1,479	1,479	-	68,283
Drug Free Schools	101,544	73,481	28,063	67,887
Technical Preparation	29,032	29,032	-	33,082
Even Start	30,328	32,411	(2,083)	225,000
Perkins	82,656	82,656	-	83,713
Truancy	15,318	15,318	-	22,365
Other federal sources	<u>149,330</u>	<u>93,353</u>	<u>55,977</u>	<u>46,837</u>
Total federal sources	<u>409,687</u>	<u>327,730</u>	<u>81,957</u>	<u>547,167</u>
TOTAL REVENUES	<u>3,235,463</u>	<u>2,937,575</u>	<u>297,888</u>	<u>3,895,845</u>
EXPENDITURES:				
Instructional Services:				
Instruction:				
High School	262,445	260,426	2,019	237,972
Great Starts	<u>45,716</u>	<u>34,116</u>	<u>11,600</u>	<u>3,293</u>
Total Instruction	<u>308,161</u>	<u>294,542</u>	<u>13,619</u>	<u>241,265</u>
Added Needs:				
Compensatory Education	1,479	1,479	-	56,762
Career and Technical Education	<u>398,767</u>	<u>306,576</u>	<u>92,191</u>	<u>301,238</u>
Total Added Needs	<u>400,246</u>	<u>308,055</u>	<u>92,191</u>	<u>358,000</u>
Occupational Therapy	<u>22,750</u>	<u>23,744</u>	<u>(994)</u>	<u>15,542</u>
Total Instructional Services	<u>731,157</u>	<u>626,341</u>	<u>104,816</u>	<u>614,807</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Prior</u>
Supporting Services:				
Pupil Services:				
Truancy/Absenteeism Services	28,065	27,667	398	25,774
Social Work Services	58,698	58,698	-	58,860
Other Pupils Services	48,450	37,985	10,465	608,128
Total Pupil Services	<u>135,213</u>	<u>124,350</u>	<u>10,863</u>	<u>692,762</u>
Staff Services:				
Improvement of Instruction	659,229	515,744	143,485	426,362
Supervision & Direction	543,483	480,895	62,588	505,534
Total Staff Services	<u>1,202,712</u>	<u>996,639</u>	<u>206,073</u>	<u>931,896</u>
General Administration:				
General Administration	-	-	-	16,800
Board of Education	53,700	52,517	1,183	56,983
Executive Administration	271,388	262,194	9,194	318,102
Total General Administration Services	<u>325,088</u>	<u>314,711</u>	<u>10,377</u>	<u>391,885</u>
Business Services:				
Fiscal Services	215,000	211,208	3,792	197,225
Internal Services	85,740	79,327	6,413	82,431
Other Business Services	38,285	31,152	7,133	21,531
Total Business Services	<u>339,025</u>	<u>321,687</u>	<u>17,338</u>	<u>301,187</u>
Operation and Maintenance	185,055	173,221	11,834	162,053
Central Support Services	113,525	28,942	84,583	4,722
Other Support Services	-	-	-	8,757
Total Supporting Services	<u>2,300,618</u>	<u>1,959,550</u>	<u>341,068</u>	<u>2,493,262</u>
Community Services Direction	<u>-</u>	<u>-</u>	<u>-</u>	<u>627,456</u>
TOTAL EXPENDITURES	<u>3,031,775</u>	<u>2,585,891</u>	<u>445,884</u>	<u>3,735,525</u>
Excess (deficiency) of revenue over expenditures	<u>203,688</u>	<u>351,684</u>	<u>(147,996)</u>	<u>160,320</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(33,132)	(33,132)	-	(32,550)
Incoming transfers - other schools	224,766	151,046	73,720	132,476
Outgoing transfers - other schools	(135,312)	(505,522)	(370,210)	(237,975)
Facilities acquisition	(44,000)	(31,965)	12,035	(12,000)
Loan payments	(35,100)	(35,099)	1	(33,595)
Total other financing sources (uses)	<u>(22,778)</u>	<u>(454,672)</u>	<u>431,894</u>	<u>(183,644)</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Prior</u>
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	180,910	(102,988)	283,898	(23,324)
FUND BALANCE, BEGINNING OF YEAR	<u>1,180,926</u>	<u>1,180,926</u>	<u>-</u>	<u>1,204,250</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,361,836</u>	<u>\$ 1,077,938</u>	<u>\$ 283,898</u>	<u>\$ 1,180,926</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
Year Ended June 30, 2005

	Budget	Actual	Variance	Prior
REVENUES:				
Local sources:				
Property tax	\$ 1,323,604	\$ 1,322,855	\$ 749	\$ 1,288,171
Interest on delinquent taxes	6,000	5,651	349	4,090
Earnings from investments and deposits	13,000	16,733	(3,733)	3,408
Contributions	1,700	2,230	(530)	2,100
Other revenue	116,459	134,478	(18,019)	188,032
Total local sources	1,460,763	1,481,947	(21,184)	1,485,801
State sources:				
Unrestricted grant - State Aid	-	-	-	238
Restricted - State Aid	1,232,337	1,206,543	25,794	1,236,171
Total state sources	1,232,337	1,206,543	25,794	1,236,409
Federal sources:				
Medicaid Outreach	60,000	54,799	5,201	17,731
T.M.T.	11,453	11,453	-	11,454
Capacity Building Grant	10,145	11,375	(1,230)	14,474
State Initiated Preschool Incentive	46,619	46,619	-	46,722
State Initiated Special Education Coordinator	35,000	35,000	-	35,000
Autism Grant	2,522	2,522	-	7,924
Preschool Coordinator	138,928	82,673	56,255	78,347
Transition Grant	60,000	64,000	(4,000)	66,000
Flow Through	1,501,399	1,156,413	344,986	918,981
Total federal sources	1,866,066	1,464,854	401,212	1,196,633
TOTAL REVENUES	4,559,166	4,153,344	405,822	3,918,843
EXPENDITURES:				
Instructional Services				
Added Needs:				
Special Education	1,423,997	1,206,682	217,315	1,385,940
Supporting Services:				
Pupil Services:				
Health Services	142,395	129,905	12,490	130,591
Psychological Services	212,102	197,129	14,973	198,180
Speech Pathology and Audiology Services	460,940	452,838	8,102	521,432
Teacher Consultants	505,327	403,055	102,272	255,480
Other Pupils Services	223,554	123,694	99,860	118,762
Total Pupil Services	1,544,318	1,306,621	237,697	1,224,445

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Prior</u>
Staff Services:				
Improvement of Instruction	2,522	2,522	-	7,924
Supervision & Direction	443,108	389,437	53,671	385,423
Total Staff Services	445,630	391,959	53,671	393,347
Office of the Principal	140,435	124,009	16,426	129,903
Other Business Services	42,300	32,854	9,446	29,928
Operation and Maintenance	116,675	112,778	3,897	102,566
Pupil Transportation	274,120	257,915	16,205	280,621
Central Support Services	129,721	135,999	(6,278)	98,991
Total Supporting Services	2,693,199	2,362,135	331,064	2,259,801
TOTAL EXPENDITURES	4,117,196	3,568,817	548,379	3,645,741
Excess (deficiency) of revenue over expenditures	441,970	584,527	(142,557)	273,102
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	3,000	-	3,000	3,000
Outgoing transfers - other schools	(441,200)	(441,203)	(3)	(448,884)
Operating transfer in (out)	(5,000)	(5,000)	-	(4,500)
Total other financing sources (uses)	(443,200)	(446,203)	3,003	(450,384)
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	(1,230)	138,324	(139,554)	(177,282)
FUND BALANCE, BEGINNING OF YEAR	349,674	349,674	-	526,956
FUND BALANCE, END OF YEAR	<u>\$ 348,444</u>	<u>\$ 487,998</u>	<u>\$ (139,554)</u>	<u>\$ 349,674</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
June 30, 2005

	Food Service	REMC	Totals Memorandum Only	
			2005	2004
ASSETS AND OTHER DEBITS				
Cash	\$ 326	\$ 150	\$ 476	\$ 164,402
Receivables	-	228,635	228,635	21,730
Due from other governmental units	-	14,520	14,520	12,425
TOTAL ASSETS	<u>\$ 326</u>	<u>\$ 243,305</u>	<u>\$ 243,631</u>	<u>\$ 198,557</u>
LIABILITIES				
Accounts payable	\$ -	\$ 12,551	\$ 12,551	\$ 4,711
Accrued expenses	-	2,106	2,106	1,907
Due to other funds	-	14,450	14,450	30,942
TOTAL LIABILITIES	<u>-</u>	<u>29,107</u>	<u>29,107</u>	<u>37,560</u>
FUND EQUITY:				
Fund balance - unreserved	<u>326</u>	<u>214,198</u>	<u>214,524</u>	<u>160,997</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 326</u>	<u>\$ 243,305</u>	<u>\$ 243,631</u>	<u>\$ 198,557</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
FOOD SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Prior</u>
REVENUES:				
Local sources:				
Adult lunches	\$ 100	\$ 843	\$ 843	\$ 544
Student lunches	2,400	1,439	1,439	1,309
Interest	-	1	1	-
Total local sources	<u>2,500</u>	<u>2,283</u>	<u>2,283</u>	<u>1,853</u>
State sources	<u>-</u>	<u>30</u>	<u>30</u>	<u>723</u>
Federal sources:				
School lunch program	<u>10,500</u>	<u>10,721</u>	<u>10,721</u>	<u>11,141</u>
Total federal sources	<u>10,500</u>	<u>10,721</u>	<u>10,721</u>	<u>11,141</u>
TOTAL REVENUES	<u>13,000</u>	<u>13,034</u>	<u>13,034</u>	<u>13,717</u>
EXPENDITURES:				
Purchase services	5,000	5,254	5,254	5,457
Supplies, materials, and other	<u>13,000</u>	<u>13,430</u>	<u>13,430</u>	<u>12,243</u>
TOTAL EXPENDITURES	<u>18,000</u>	<u>18,684</u>	<u>18,684</u>	<u>17,700</u>
Excess (deficiency) of revenue over expenditures	(5,000)	(5,650)	(5,650)	(3,983)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>4,500</u>
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	-	(650)	(650)	517
FUND BALANCE, BEGINNING OF YEAR	<u>976</u>	<u>976</u>	<u>976</u>	<u>459</u>
FUND BALANCE, END OF YEAR	<u>\$ 976</u>	<u>\$ 326</u>	<u>\$ 326</u>	<u>\$ 976</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
REGIONAL MEDIA EDUCATIONAL CENTER FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2005

REVENUES:	Budget	Actual	Variance	Prior
Local sources:				
Merchandise sales	\$ 137,394	\$ 132,028	\$ 5,366	\$ 200,533
Interest	100	22	78	39
Miscellaneous	209,676	249,005	(39,329)	231,534
Total local sources	347,170	381,055	(33,885)	432,106
State sources	79,860	79,860	-	93,386
Federal sources:				
Title V	11,631	11,631	-	14,440
Technology Literacy	-	-	-	10,000
Total federal sources	11,631	11,631	-	24,440
TOTAL REVENUES	438,661	472,546	(33,885)	549,932
EXPENDITURES:				
Educational media services	248,931	240,568	8,363	237,142
Distance Learning Consortium	276,069	262,033	14,036	306,945
TOTAL EXPENDITURES	525,000	502,601	22,399	544,087
Excess (deficiency) of revenue over expenditures	(86,339)	(30,055)	(56,284)	5,845
OTHER FINANCING SOURCES (USES)				
Transfers from other school districts	53,207	51,100	2,107	-
Operating transfers in (out)	33,132	33,132	-	32,550
	86,339	84,232	2,107	32,550
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	-	54,177	(54,177)	38,395
FUND BALANCE, BEGINNING OF YEAR	160,021	160,021	-	121,626
FUND BALANCE, END OF YEAR	\$ 160,021	\$ 214,198	\$ (54,177)	\$ 160,021

FEDERAL AWARDS



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Copper Country Intermediate School District
Hancock, Michigan

We have audited the financial statements of the Copper Country Intermediate School District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Copper Country Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Copper Country Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the school district's board of education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 17, 2005



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Copper Country Intermediate School District
Hancock, Michigan

Compliance

We have audited the compliance of the Copper Country Intermediate School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Copper Country Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Copper Country Intermediate School District's management. Our responsibility is to express an opinion on the Copper Country Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether a noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Copper Country Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Copper Country Intermediate School District's compliance with those requirements.

In our opinion, the Copper Country Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Copper Country Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Copper Country Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the school district's board of education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 17, 2005

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2005

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2004	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2005	Amount Provided to Subrecipients
<i>U.S. Department of Education:</i>								
Passed through Michigan Department of Education								
Title I Prevention Intervention for Delinquents								
041700 0203	84.010	\$ 50,687	\$ (1,479)	\$ 11,521	\$ 0	\$ 1,479	\$ 0	\$ 0
Handicapped Preschool & School Program								
030450 0203 PL 94-142 Flow Through	84.027	1,203,645	15,000	15,000	935,000	858,659	(76,341)	0
040450 0304 PL 94-142 Flow Through	84.027	1,031,735	(97,754)	0	200,000	297,754	0	0
050480 EOSD State Initiated/Department	84.027	35,000	0	0	35,000	35,000	0	0
050480 TMT State Initiated/Competitive	84.027	11,453	0	0	11,453	11,453	0	0
050490 CB Idea State Initiated/Department	84.027	11,375	0	0	11,375	11,375	0	0
050490 TS Idea State Initiated/Department	84.027	60,000	0	0	60,000	60,000	0	0
		2,353,208	(82,754)	15,000	1,252,828	1,274,241	(76,341)	0
050460 0405 Pre-School	84.173	46,619	0	0	46,619	46,619	0	0
041340 0190 Infant & Families	84.181	91,068	(1,431)	0	46,068	47,499	0	0
051340 0190 Infant & Families	84.181	91,429	0	0	45,000	35,174	(9,826)	0
		182,497	(1,431)	0	91,068	82,673	(9,826)	0
Federal Safe & Drug Free Schools								
042860 0304	84.186	94,246	887	887	887	0	0	0
042860 0405	84.186	26,359	0	0	26,359	26,359	0	0
052860 0405	84.186	75,185	0	0	55,000	47,122	(7,878)	0
		195,790	887	887	82,246	73,481	(7,878)	0
Title V Flow Through 050250-0405	84.298	11,631	0	0	11,631	11,631	0	0
Title IIA Teacher Quality Form	84.367	792	0	0	792	792	0	0
Total Michigan Department of Education		2,841,224	(84,777)	27,408	1,485,184	1,490,916	(94,045)	0
Passed Through Gogebic-Ontonagon ISD								
Tech Prep	84.243	29,032	0	0	18,786	29,032	10,246	0
Vocational Education - Perkins III	84.048	86,981	0	0	58,786	82,656	23,870	0
Total Gogebic-Ontonagon ISD		116,013	0	0	77,572	111,688	34,116	0

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2004	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2005	Amount Provided to Subrecipients
Passed Through Marquette Alger ISD UP Cares Grant - Autism Project	84.027A	2,522	5,308	5,308	7,830	2,522	0	0
Passed Through Dickinson-Iron ISD Building Bridges	84.215X	30,328	0	0	30,328	32,411	0	0
Passed Through Michigan Rehabilitation TS Idea State Initiated/Department	84.027	4,000	0	0	4,000	4,000	0	0
Passed Through Public Consulting Group Medicaid Outreach	93.778	54,799	0	0	54,799	54,799	0	0
Total U.S. Department of Education		3,048,886	(79,469)	32,716	1,659,713	1,696,336	(59,929)	0
<i>U.S. Department of Agriculture:</i>								
Passed Through Michigan Department of Education National School Lunch Program	10.555	325	103	103	325	222	0	0
41950 Section 4 - All Lunches	10.555	773	0	0	773	773	0	0
51950 Section 4 - All Lunches	10.555	645	101	101	645	544	0	0
41960 Section 11 - Free & Reduced National School Lunch Program	10.555	3,817	0	0	3,817	3,817	0	0
51960 Section 11 - Free & Reduced		5,560	204	204	5,560	5,356	0	0
41970 Breakfast	10.553	260	152	152	260	108	0	0
51970 Breakfast	10.553	2,719	0	0	2,719	2,719	0	0
		2,979	152	152	2,979	2,827	0	0
Food Distributions- Entitlement Commodities	10.550	2,372	0	0	2,372	2,372	0	0
Food Distributions- Bonus Commodities	10.550	166	0	0	166	166	0	0
		2,538	0	0	2,538	2,538	0	0
Total U.S. Department of Agriculture		11,077	356	356	11,077	10,721	0	0
<i>U.S. Department of Homeland Security:</i>								
Passed Through Michigan State Police Homeland Security Grant Part II	97.004	68,200	12,015	12,015	21,513	9,498	0	0

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2004	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2005	Amount Provided to Subrecipients
<i>U.S. Environmental Protection Agency:</i> Grant NE96543101-1	66.999	18,292	0	0	19,805	18,292	(1,513)	0
<i>U.S. Department of Labor:</i> Passed Through Marquette Alger ISD Workforce Investment Act (WIA)	17.267	698	0	0	0	698	698	0
Passed Through Western U.P. Manpower Consortium Workforce Investment Act (WIA)	17.259	6,500	0	0	0	6,500	6,500	0
Workforce Investment Act (WIA)	17.250	14,118	0	0	14,118	14,483	0	0
Total Western U.P. Manpower Consortium		20,618	0	0	14,118	20,983	6,500	0
Total U.S. Department of Labor		21,316	0	0	14,118	21,681	7,198	0
<i>Corporation of National and Community Service(CNCS):</i> Passed Through Michigan Community Service Commission Learn and Serve	94.004	52,423	9,333	9,333	38,802	43,090	4,288	12,813
<i>U.S. Department of Justice:</i> Passed Through Michigan Department of Community Health Truant Officer	16.592	20,922	2,949	20,922	2,949	0	0	0
Truant Officer	16.592	15,318	0	0	15,318	15,318	0	0
Total U.S. Department of Justice		36,240	2,949	20,922	18,267	15,318	0	0
TOTALS		<u>\$ 3,257,132</u>	<u>\$ (54,816)</u>	<u>\$ 75,342</u>	<u>\$ 1,783,295</u>	<u>\$ 1,814,936</u>	<u>\$ (49,258)</u>	<u>\$ 12,813</u>

The accompanying notes to financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
PROVIDED TO SUBRECIPIENTS
For the year ended June 30, 2005

<u>Subreipients Program Title/ Project Number</u>	<u>CFDA Number</u>	<u>Grant Award</u>	<u>Amount Transferred</u>
Learn to Serve	94.004		
Calumet Public Schools		\$ 5,000	\$ 5,000
Chassell Township Schools		3,813	3,813
Hancock Public Schools		1,000	1,000
Lake Linden-Hubbell Schools		3,000	3,000
Total Drug Free Schools		<u>\$ 12,813</u>	<u>\$ 12,813</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - June 30, 2005

NOTE A - OVERSIGHT AGENCY

The U. S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the school's expenditures of federal awards.

NOTE B - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C - FINAL COST REPORT - FORM DS4044

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year grants were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

NOTE D - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 17 of these financial statements is \$1,814,936. The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

Total current payments per R7120	\$ 1,493,722
Less: Prior year receivables	(16,243)
Prior year deferred grant revenues	99,185
Plus: National School Lunch receivables	356
Drug Free Schools receivable	887
Deferred grant revenue	(94,045)
Payments received through other sources	331,074
Receipts per Schedule of Expenditures of Federal Awards	<u>\$ 1,814,936</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2005

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133? No

Identification of major programs:

CFDA Number
84.027/84.173

Name of Federal Program or Cluster
P.L. 94-142 - Flow Through/State Initiated/Pre-School

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



Bruce A Rukkila, CPA, PC

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LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education
Copper Country Intermediate School District
Hancock, Michigan

In connection with our audit of the financial statements of the Copper Country Intermediate School District, as of and for the year ended June 30, 2005, the following concerns regarding the accounting records, procedures, and internal control structure came to our attention.

Our comments are based upon conditions noted during our audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

Budget Over Expenditures

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Over expenditures occurred in following areas:

Description	Total Appropriations	Amount of Expenditures	Budget Variances
General Fund-Occupational Therapy	\$22,750	\$23,744	(\$994)
Special Education-Central Support	\$129,721	\$135,999	(\$6,278)

We would like to thank the administrative staff for the cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

This report is intended for the information of the School District's Board of Education, the cognizant audit agency and other federal and state audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 17, 2005



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Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 17, 2005

FEDERAL AWARDS



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Copper Country Intermediate School District
Hancock, Michigan

We have audited the financial statements of the Copper Country Intermediate School District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Copper Country Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Copper Country Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the school district's board of education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 17, 2005



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Copper Country Intermediate School District
Hancock, Michigan

Compliance

We have audited the compliance of the Copper Country Intermediate School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Copper Country Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Copper Country Intermediate School District's management. Our responsibility is to express an opinion on the Copper Country Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether a noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Copper Country Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Copper Country Intermediate School District's compliance with those requirements.

In our opinion, the Copper Country Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Copper Country Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Copper Country Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the school district's board of education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 17, 2005

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2005

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2004	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2005	Amount Provided to Subrecipients
<i>U.S. Department of Education:</i>								
Passed through Michigan Department of Education								
Title I Prevention Intervention for Delinquents								
041700 0203	84.010	\$ 50,687	\$ (1,479)	\$ 11,521	\$ 0	\$ 1,479	\$ 0	\$ 0
Handicapped Preschool & School Program								
030450 0203 PL 94-142 Flow Through	84.027	1,203,645	15,000	15,000	935,000	858,659	(76,341)	0
040450 0304 PL 94-142 Flow Through	84.027	1,031,735	(97,754)	0	200,000	297,754	0	0
050480 EOSD State Initiated/Department	84.027	35,000	0	0	35,000	35,000	0	0
050480 TMT State Initiated/Competitive	84.027	11,453	0	0	11,453	11,453	0	0
050490 CB Idea State Initiated/Department	84.027	11,375	0	0	11,375	11,375	0	0
050490 TS Idea State Initiated/Department	84.027	60,000	0	0	60,000	60,000	0	0
		2,353,208	(82,754)	15,000	1,252,828	1,274,241	(76,341)	0
050460 0405 Pre-School	84.173	46,619	0	0	46,619	46,619	0	0
041340 0190 Infant & Families	84.181	91,068	(1,431)	0	46,068	47,499	0	0
051340 0190 Infant & Families	84.181	91,429	0	0	45,000	35,174	(9,826)	0
		182,497	(1,431)	0	91,068	82,673	(9,826)	0
Federal Safe & Drug Free Schools								
042860 0304	84.186	94,246	887	887	887	0	0	0
042860 0405	84.186	26,359	0	0	26,359	26,359	0	0
052860 0405	84.186	75,185	0	0	55,000	47,122	(7,878)	0
		195,790	887	887	82,246	73,481	(7,878)	0
Title V Flow Through 050250-0405	84.298	11,631	0	0	11,631	11,631	0	0
Title IIA Teacher Quality Form	84.367	792	0	0	792	792	0	0
Total Michigan Department of Education		2,841,224	(84,777)	27,408	1,485,184	1,490,916	(94,045)	0
Passed Through Gogebic-Ontonagon ISD								
Tech Prep	84.243	29,032	0	0	18,786	29,032	10,246	0
Vocational Education - Perkins III	84.048	86,981	0	0	58,786	82,656	23,870	0
Total Gogebic-Ontonagon ISD		116,013	0	0	77,572	111,688	34,116	0

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2004	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2005	Amount Provided to Subrecipients
Passed Through Marquette Alger ISD UP Cares Grant - Autism Project	84.027A	2,522	5,308	5,308	7,830	2,522	0	0
Passed Through Dickinson-Iron ISD Building Bridges	84.215X	30,328	0	0	30,328	32,411	0	0
Passed Through Michigan Rehabilitation TS Idea State Initiated/Department	84.027	4,000	0	0	4,000	4,000	0	0
Passed Through Public Consulting Group Medicaid Outreach	93.778	54,799	0	0	54,799	54,799	0	0
Total U.S. Department of Education		3,048,886	(79,469)	32,716	1,659,713	1,696,336	(59,929)	0
<i>U.S. Department of Agriculture:</i>								
Passed Through Michigan Department of Education National School Lunch Program	10.555	325	103	103	325	222	0	0
41950 Section 4 - All Lunches	10.555	773	0	0	773	773	0	0
51950 Section 4 - All Lunches	10.555	645	101	101	645	544	0	0
41960 Section 11 - Free & Reduced National School Lunch Program	10.555	3,817	0	0	3,817	3,817	0	0
51960 Section 11 - Free & Reduced		5,560	204	204	5,560	5,356	0	0
41970 Breakfast	10.553	260	152	152	260	108	0	0
51970 Breakfast	10.553	2,719	0	0	2,719	2,719	0	0
		2,979	152	152	2,979	2,827	0	0
Food Distributions- Entitlement Commodities	10.550	2,372	0	0	2,372	2,372	0	0
Food Distributions- Bonus Commodities	10.550	166	0	0	166	166	0	0
		2,538	0	0	2,538	2,538	0	0
Total U.S. Department of Agriculture		11,077	356	356	11,077	10,721	0	0
<i>U.S. Department of Homeland Security:</i>								
Passed Through Michigan State Police Homeland Security Grant Part II	97.004	68,200	12,015	12,015	21,513	9,498	0	0

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2004	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2005	Amount Provided to Subrecipients
<i>U.S. Environmental Protection Agency:</i> Grant NE96543101-1	66.999	18,292	0	0	19,805	18,292	(1,513)	0
<i>U.S. Department of Labor:</i> Passed Through Marquette Alger ISD Workforce Investment Act (WIA)	17.267	698	0	0	0	698	698	0
Passed Through Western U.P. Manpower Consortium Workforce Investment Act (WIA)	17.259	6,500	0	0	0	6,500	6,500	0
Workforce Investment Act (WIA)	17.250	14,118	0	0	14,118	14,483	0	0
Total Western U.P. Manpower Consortium		20,618	0	0	14,118	20,983	6,500	0
Total U.S. Department of Labor		21,316	0	0	14,118	21,681	7,198	0
<i>Corporation of National and Community Service(CNCS):</i> Passed Through Michigan Community Service Commission Learn and Serve	94.004	52,423	9,333	9,333	38,802	43,090	4,288	12,813
<i>U.S. Department of Justice:</i> Passed Through Michigan Department of Community Health Truant Officer	16.592	20,922	2,949	20,922	2,949	0	0	0
Truant Officer	16.592	15,318	0	0	15,318	15,318	0	0
Total U.S. Department of Justice		36,240	2,949	20,922	18,267	15,318	0	0
TOTALS		<u>\$ 3,257,132</u>	<u>\$ (54,816)</u>	<u>\$ 75,342</u>	<u>\$ 1,783,295</u>	<u>\$ 1,814,936</u>	<u>\$ (49,258)</u>	<u>\$ 12,813</u>

The accompanying notes to financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
PROVIDED TO SUBRECIPIENTS
For the year ended June 30, 2005

<u>Subreipients Program Title/ Project Number</u>	<u>CFDA Number</u>	<u>Grant Award</u>	<u>Amount Transferred</u>
Learn to Serve	94.004		
Calumet Public Schools		\$ 5,000	\$ 5,000
Chassell Township Schools		3,813	3,813
Hancock Public Schools		1,000	1,000
Lake Linden-Hubbell Schools		3,000	3,000
Total Drug Free Schools		<u>\$ 12,813</u>	<u>\$ 12,813</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - June 30, 2005

NOTE A - OVERSIGHT AGENCY

The U. S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the school's expenditures of federal awards.

NOTE B - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C - FINAL COST REPORT - FORM DS4044

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year grants were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

NOTE D - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 17 of these financial statements is \$1,814,936. The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

Total current payments per R7120	\$ 1,493,722
Less: Prior year receivables	(16,243)
Prior year deferred grant revenues	99,185
Plus: National School Lunch receivables	356
Drug Free Schools receivable	887
Deferred grant revenue	(94,045)
Payments received through other sources	331,074
Receipts per Schedule of Expenditures of Federal Awards	<u>\$ 1,814,936</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2005

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133? No

Identification of major programs:

CFDA Number
84.027/84.173

Name of Federal Program or Cluster
P.L. 94-142 - Flow Through/State Initiated/Pre-School

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.